

EXIRA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Exira Community School District in Exira, Iowa.

The District's revenues totaled \$3,110,779 for the year ended June 30, 2006, a 3.26 percent increase from the prior year. Revenues included \$1,169,220 in unrestricted state grants, \$1,226,960 in local tax, charges for service of \$206,900, operating grants, contributions, and restricted interest of \$440,560 and \$34,895 in unrestricted interest.

Expenses for district operations totaled \$3,228,797 an 8.96 percent increase from the prior year. Expenses included \$1,395,316 for regular instruction, \$311,712 for administration services and \$309,403 for other instruction.

A copy of the audit report is available for review in the District Secretary's Office, the Office of Auditor of State, and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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Exira Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Vicky Sorensen	President	2005
Denise Walker	Vice President	2005
Tom Christofferson	Board Member	2007
Paul Christensen	Board Member	2006
Tom Benton	Board Member	2006

Board of Education (After September 2005 Election)		
Vicky Sorensen	President	2008
Denise Walker	Vice President	2008
Tom Christofferson	Board Member	2007
Paul Christensen	Board Member	2006
Tom Benton	Board Member	2006

School Officials

Charles Johnson	Superintendent	2006
Shirley Garnett	District Secretary and District Treasurer	2006
Rick Franck	Attorney	2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Exira Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Exira Community School District, Exira, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Exira Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 22, 2006 on our consideration of Exira Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of these reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Exira Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 22, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Exira Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,557,426 in fiscal 2005 to \$2,611,351 in fiscal 2006, while General Fund expenditures increased from \$2,572,362 in fiscal 2005 to \$2,782,080 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$330,572 in fiscal 2005 to a balance of \$159,871 in fiscal 2006, a 51.6% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state and federal grant revenues in fiscal 2006. The increase in expenditures was due primarily to an increase in negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Exira Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Exira Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Exira Community School District acts solely as an agent or custodial for the benefit of those outside of District government.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

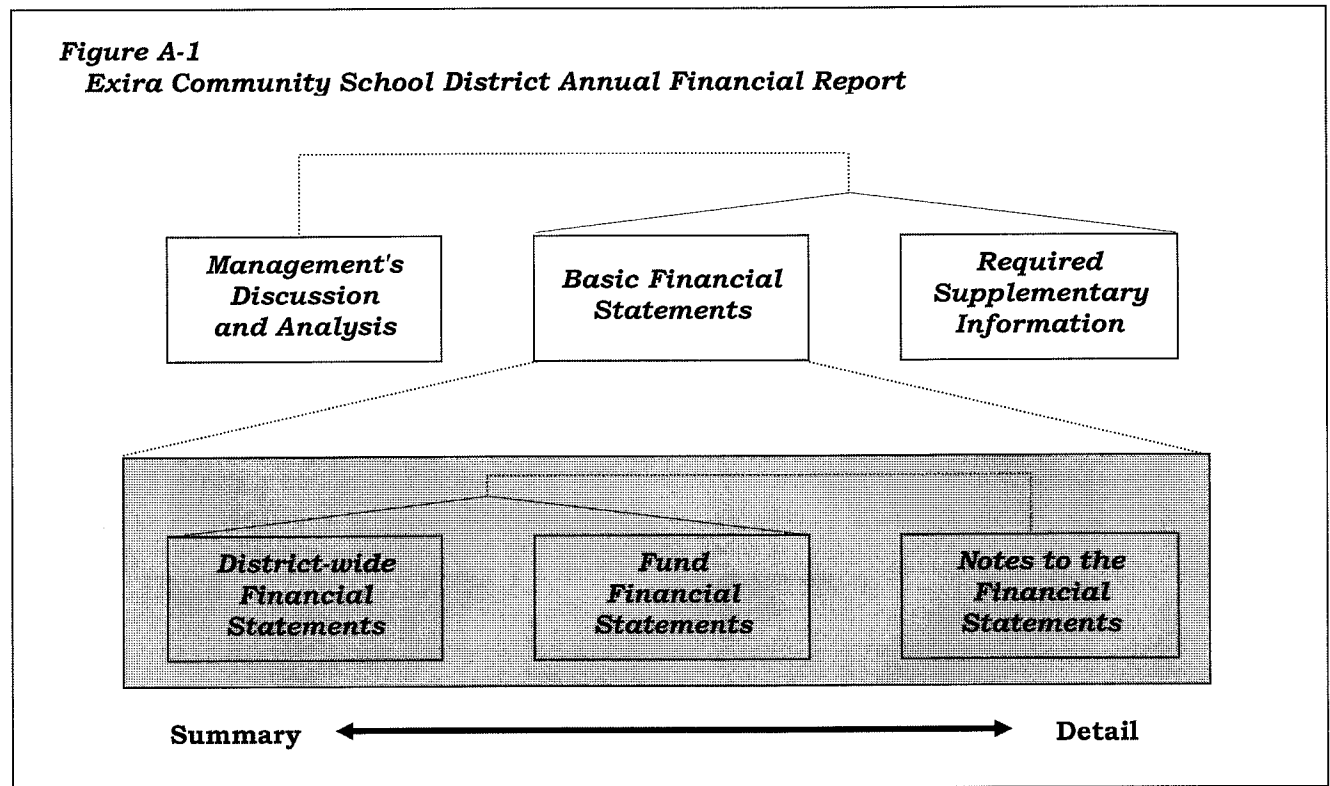




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-Wide and Fund Financial Statements***

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 1,680,430	2,240,372	9,295	5,586	1,689,725	2,245,958	-24.77%
Capital assets	775,789	898,072	8,746	7,289	784,535	905,361	-13.35%
Total assets	2,456,219	3,138,444	18,041	12,875	2,474,260	3,151,319	-21.48%
Long-term obligations	221,512	284,658	0	0	221,512	284,658	-22.18%
Other liabilities	1,128,157	1,625,101	1,049	0	1,129,206	1,625,101	-30.51%
Total liabilities	1,349,669	1,909,759	1,049	0	1,350,718	1,909,759	-29.27%
Net assets:							
Invested in capital assets, net of related debt	618,841	716,978	8,746	7,289	627,587	724,267	-13.35%
Restricted	311,139	162,900	0	0	311,139	162,900	91.00%
Unrestricted	176,570	348,807	8,246	5,586	184,816	354,393	-47.85%
Total net assets	\$ 1,106,550	1,228,685	16,992	12,875	1,123,542	1,241,560	-9.51%

The District's combined net assets decreased by 9.51%, or \$118,018, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$148,239, or 91% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$169,577, or 47.85%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 143,315	217,818	63,585	56,116	206,900	273,934	-24.47%
Operating grants and contributions and restricted interest	378,815	314,757	61,745	53,465	440,560	368,222	19.65%
General revenues:							
Property tax	1,070,591	1,059,988	0	0	1,070,591	1,059,988	1.00%
Local option sales and services tax	156,369	142,084	0	0	156,369	142,084	10.05%
Unrestricted state grants	1,169,220	1,171,639	0	0	1,169,220	1,171,639	-0.21%
Other	67,100	(3,227)	39	38	67,139	(3,189)	2205.33%
Total revenues	2,985,410	2,903,059	125,369	109,619	3,110,779	3,012,678	3.26%
Program expenses:							
Governmental activities:							
Instructional	1,965,032	1,818,316	0	0	1,965,032	1,818,316	8.07%
Support services	910,071	736,703	0	0	910,071	736,703	23.53%
Non-instructional programs	0	122	121,252	111,343	121,252	111,465	8.78%
Other expenses	232,442	296,789	0	0	232,442	296,789	-21.68%
Total expenses	3,107,545	2,851,930	121,252	111,343	3,228,797	2,963,273	8.96%
Changes in net assets	(122,135)	51,129	4,117	(1,724)	(118,018)	49,405	-338.88%
Beginning net assets	1,228,685	1,177,556	12,875	14,599	1,241,560	1,192,155	4.14%
Ending net assets	\$ 1,106,550	1,228,685	16,992	12,875	1,123,542	1,241,560	-9.51%

Property tax and unrestricted state grants account for 75.03% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.97% of the revenue from business type activities.

The District's total revenues were approximately \$3.1 million of which \$2.9 million was for governmental activities and less than \$0.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.26% increase in revenues and an 8.96% increase in expenses. The increase in revenues was due to increased local option sales and service tax the District received during fiscal 2006. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

### Governmental Activities

Revenues for governmental activities were \$2,985,410 and expenses were \$3,107,545. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 1,965,032	1,538,206
Support services	910,071	910,071
Other expenses	232,442	137,138
Totals	<u>\$ 3,107,545</u>	<u>2,585,415</u>

- The cost financed by users of the District's programs was \$143,315.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$378,815.
- The net cost of governmental activities was financed with \$1,070,591 in property tax, \$156,369 in local option sales and services tax, \$1,169,220 in unrestricted state grants and \$34,856 in interest income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$125,369 and expenses were \$121,252. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Exira Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$500,110, below last year's ending fund balance of \$563,257. The primary reason for the decrease in combined fund balance in fiscal 2006 is due to increases in negotiated salary and benefits.

### **Governmental Fund Highlights**

- The District's declining General Fund financial position is the product of many factors:
  - The increase in revenues for 2006 was more than outweighed by the increase in expenditures incurred by the District. This forced the District to use carryover balance to meet financial obligations during the year guaranteeing the decline in General Fund balance.

### **Proprietary Fund Highlights**

The Proprietary Fund net assets increased from \$12,875 at June 30, 2005 to \$16,992 at June 30, 2006, representing an increase of 31.98%.

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## BUDGETARY HIGHLIGHTS

The District's revenues were \$26,775 less than budgeted revenues, a variance of less than one percent. The most significant variance resulted from the District receiving less in local source revenues than originally anticipated.

Total expenditures were initially than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the of the District's budgetary practice, the certified budget was exceeded in the support services functional area.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$784,535, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 15.4% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$128,390.

The original cost of the District's capital assets was \$1,975,990. Governmental funds account for \$1,935,992 with the remainder of \$39,998 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$322,116 at June 30, 2005, compared to \$242,798 reported at June 30, 2006.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 19,493	19,493	0	0	19,493	19,493	0.00%
Buildings	511,692	552,501	0	0	511,692	552,501	-7.98%
Land improvements	10,552	11,251	0	0	10,552	11,251	-6.62%
Machinery and equipment	234,052	314,827	8,746	7,289	242,798	322,116	-32.67%
Total	\$ 775,789	898,072	8,746	7,289	784,535	905,361	-15.40%

### Long-Term Debt

At June 30, 2006, the District had \$221,512 in long-term debt outstanding. This represents a decrease of 22.2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District had \$205,000 in capital loan note indebtedness at June 30, 2006.

The District had \$16,512 in early retirement payable at June 30, 2006.

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Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
Capital loan note	\$ 205,000	265,000	-22.6%
Early Retirement	16,512	19,658	-16.0%
Totals	\$ 221,512	284,658	-22.2%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shirley Garnett, District Board Secretary, Exira Community School District, P.O. Box 335, Exira, Iowa, 50076.

## BASIC FINANCIAL STATEMENTS



EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 475,342	6,149	481,491
Receivables:			
Property tax:			
Delinquent	17,229	0	17,229
Succeeding year	1,077,078	0	1,077,078
Income surtax	52,705	0	52,705
Accounts	11,923	650	12,573
Due from other governments	46,153	0	46,153
Inventories	0	2,496	2,496
Capital assets, net of accumulated depreciation (Note 4)	775,789	8,746	784,535
<b>TOTAL ASSETS</b>	<b>2,456,219</b>	<b>18,041</b>	<b>2,474,260</b>
<b>LIABILITIES</b>			
Accounts payable	50,537	0	50,537
Accrued interest payable	542	0	542
Deferred revenue:			
Succeeding year property tax	1,077,078	0	1,077,078
Other	0	1,049	1,049
Long-term liabilities (Note 5):			
Portion due within one year:			
Capital loan notes payable	60,000	0	60,000
Early retirement payable	3,145	0	3,145
Portion due after one year:			
Capital loan notes payable	145,000	0	145,000
Early retirement payable	13,367	0	13,367
<b>TOTAL LIABILITIES</b>	<b>1,349,669</b>	<b>1,049</b>	<b>1,350,718</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	618,841	8,746	627,587
Restricted for:			
Capital projects	298,453	0	298,453
Other special revenue purposes	12,686	0	12,686
Unrestricted	176,570	8,246	184,816
<b>TOTAL NET ASSETS</b>	<b>\$ 1,106,550</b>	<b>16,992</b>	<b>1,123,542</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,395,316	143,315	266,386	(985,615)	0	(985,615)
Special instruction	260,313	0	17,125	(243,188)	0	(243,188)
Other instruction	309,403	0	0	(309,403)	0	(309,403)
	1,965,032	143,315	283,511	(1,538,206)	0	(1,538,206)
Support services:						
Student services	80,978	0	0	(80,978)	0	(80,978)
Instructional staff services	104,681	0	0	(104,681)	0	(104,681)
Administration services	311,712	0	0	(311,712)	0	(311,712)
Operation and maintenance of plant services	293,152	0	0	(293,152)	0	(293,152)
Transportation services	119,548	0	0	(119,548)	0	(119,548)
	910,071	0	0	(910,071)	0	(910,071)
Other expenditures:						
Facilities and acquisitions	87,299	0	0	(87,299)	0	(87,299)
Long-term debt interest	8,331	0	0	(8,331)	0	(8,331)
AEA flowthrough	95,304	0	95,304	0	0	0
Depreciation(unallocated)*	41,508	0	0	(41,508)	0	(41,508)
	232,442	0	95,304	(137,138)	0	(137,138)
Total governmental activities	3,107,545	143,315	378,815	(2,585,415)	0	(2,585,415)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	121,252	63,585	61,745	0	4,078	4,078
Total business-type activities	121,252	63,585	61,745	0	4,078	4,078
Total	\$ 3,228,797	206,900	440,560	(2,585,415)	4,078	(2,581,337)
General Revenues:						
Local tax for:						
General purposes				\$ 961,295	0	961,295
Capital outlay				109,296	0	109,296
Local option sales and services tax				156,369	0	156,369
Unrestricted state grants				1,169,220	0	1,169,220
Unrestricted investment earnings				34,856	39	34,895
Other				32,244	0	32,244
Total general revenues				2,463,280	39	2,463,319
Changes in net assets				(122,135)	4,117	(118,018)
Net assets beginning of year				1,228,685	12,875	1,241,560
Net assets end of year				\$ 1,106,550	16,992	1,123,542

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General	Manage- ment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 180,986	(20,316)	252,300	62,372	475,342
Receivables:					
Property tax:					
Delinquent	14,533	822	0	1,874	17,229
Succeeding year	901,929	60,000	0	115,149	1,077,078
Income surtax	52,705	0	0	0	52,705
Accounts	11,923	0	0	0	11,923
Due from other governments	0	0	46,153	0	46,153
<b>TOTAL ASSETS</b>	<b>\$ 1,162,076</b>	<b>40,506</b>	<b>298,453</b>	<b>179,395</b>	<b>1,680,430</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	47,571	0	0	2,966	50,537
Deferred revenue:					
Succeeding year property tax	901,929	60,000	0	115,149	1,077,078
Income surtax	52,705	0	0	0	52,705
Total liabilities	1,002,205	60,000	0	118,115	1,180,320
Fund balances:					
Unreserved:					
General	159,871	0	0	0	159,871
Management	0	(19,494)	0	0	(19,494)
Capital Projects	0	0	298,453	0	298,453
Physical plant and equipment levy	0	0	0	48,594	48,594
Other special revenue purposes	0	0	0	12,686	12,686
Total fund balances	159,871	(19,494)	298,453	61,280	500,110
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,162,076</b>	<b>40,506</b>	<b>298,453</b>	<b>179,395</b>	<b>1,680,430</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2006

Total fund balances of governmental funds (page 15)	\$ 500,110
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	775,789
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	52,705
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(542)
Long-term liabilities, including early retirement and capital loan notes payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(221,512)
Net assets of governmental activities (page 13)	\$ <u><u>1,106,550</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	General	Manage- ment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 913,359	47,936	156,369	109,296	1,226,960
Tuition	82,801	0	0	0	82,801
Other	75,701	2,561	0	57,897	136,159
State sources	1,383,015	0	0	0	1,383,015
Federal sources	156,475	0	0	0	156,475
Total revenues	2,611,351	50,497	156,369	167,193	2,985,410
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	1,377,586	0	0	0	1,377,586
Special instruction	260,313	0	0	0	260,313
Other instruction	239,421	0	0	55,547	294,968
	1,877,320	0	0	55,547	1,932,867
Support services:					
Student services	76,484	0	0	0	76,484
Instructional staff services	103,906	0	0	0	103,906
Administration services	311,712	0	0	0	311,712
Operation and maintenance of plant services	228,769	55,179	0	0	283,948
Transportation services	88,585	0	0	0	88,585
	809,456	55,179	0	0	864,635
Other expenditures:					
Facilities acquisitions	0	0	0	87,299	87,299
Long-term debt:					
Principal	0	0	0	60,000	60,000
Interest and fiscal charges	0	0	0	8,480	8,480
AEA Flowthrough	95,304	0	0	0	95,304
	95,304	0	0	155,779	251,083
Total expenditures	2,782,080	55,179	0	211,326	3,048,585
Excess(deficiency) of revenues over(under) expenditures	(170,729)	(4,682)	156,369	(44,133)	(63,175)
Other financing sources(uses):					
Transfers in	0	0	0	68,480	68,480
Transfers out	0	0	0	(68,480)	(68,480)
Sale of equipment	28	0	0	0	28
Total other financing sources(uses)	28	0	0	0	28
Net change in fund balances	(170,701)	(4,682)	156,369	(44,133)	(63,147)
Fund balance beginning of year	330,572	(14,812)	142,084	105,413	563,257
Fund balance end of year	\$ 159,871	(19,494)	298,453	61,280	500,110

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2006

Net change in fund balances - total governmental funds(page 17) \$ (63,147)

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 19,676	
Depreciation expense	(123,544)	
Loss on disposal of capital assets	<u>(18,415)</u>	(122,283)

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

60,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due.

In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

149

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement

3,146

**Changes in net assets of governmental activities(page 14)**

\$ (122,135)

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 6,149
Accounts receivable	650
Inventories	2,496
Capital assets, net of accumulated depreciation(Note 5)	8,746
TOTAL ASSETS	<u>18,041</u>
LIABILITIES	
Deferred revenue:	
Other	1,049
TOTAL LIABILITIES	<u>1,049</u>
NET ASSETS	
Investment in capital assets, net of related debt	8,746
Unrestricted	8,246
TOTAL NET ASSETS	<u>\$ 16,992</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	<u>\$         63,585</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	50,156
Benefits	6,686
Supplies	59,564
Depreciation	4,846
TOTAL OPERATING EXPENSES	<u>121,252</u>
OPERATING LOSS	<u>(57,667)</u>
NON-OPERATING REVENUES:	
State sources	1,818
Federal sources	59,927
Interest on investments	39
TOTAL NON-OPERATING REVENUES	<u>61,784</u>
Change in net assets	4,117
Net assets beginning of year	<u>12,875</u>
Net assets end of year	<u><u>\$         16,992</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.



EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 63,972
Cash received from miscellaneous	12
Cash payments to employees for services	(56,842)
Cash payments to suppliers for goods or services	(52,800)
Net cash used in operating activities	(45,658)
Cash flows from non-capital financing activities:	
State grants received	1,818
Federal grants received	52,590
Net cash provided by non-capital financing activities	54,408
Cash flows from capital and related financing activities:	
Purchase of capital assets	(6,303)
Cash flows from investing activities:	
Interest on investments	39
Net increase in cash and cash equivalents	2,486
Cash and cash equivalents at beginning of year	3,663
Cash and cash equivalents at end of year	\$ 6,149
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (57,667)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	7,337
Depreciation	4,846
Increase in inventories	(573)
Increase in accounts receivable	(650)
Increase in deferred revenue	1,049
Net cash provided by(used in) operating activities	\$ (45,658)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 6,149

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$7,337.

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 514,094
Total assets	<u>514,094</u>
Liabilities	
Total liabilities	<u>0</u>
Net assets	<u>\$ 514,094</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2006

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 262,883
Interest income	3,593
Total additions	<u>266,476</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>9,008</u>
Change in net assets	257,468
Net assets beginning of year	<u>256,626</u>
Net assets end of year	<u>\$ 514,094</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

(1) **Summary of Significant Accounting Policies**

The Exira Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Exira, Iowa, and the predominate agricultural territory in Guthrie, Audubon and Cass Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Exira Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Exira Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Guthrie, Audubon and Cass Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Levy Fund is used to account for early retirement benefits paid to employees as well as maintenance and upkeep of the District's grounds.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is the Private Purpose Trust Fund.

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been



recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 520,870

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The Certificates of Deposit are classified as Category 1, which means the investments are insured and are held by the District in the District's name. Certificates of Deposit are stated at fair value.

At June 30, 2006, the District had investments in Certificate of Deposit maturing in over one year as follows:

	Fair Value
Certificates of Deposit	\$ 514,094

### (3) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	PPEL	\$ 68,480

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 19,493	0	0	19,493
Total capital assets not being depreciated	19,493	0	0	19,493
Capital assets being depreciated:				
Buildings	1,261,056	0	0	1,261,056
Land improvements	13,991	0	0	13,991
Machinery and equipment	664,745	19,676	42,969	641,452
Total capital assets being depreciated	1,939,792	19,676	42,969	1,916,499
Less accumulated depreciation for:				
Buildings	708,555	40,809	0	749,364
Land improvements	2,740	699	0	3,439
Machinery and equipment	349,918	82,036	24,554	407,400
Total accumulated depreciation	1,061,213	123,544	24,554	1,160,203
Total capital assets being depreciated, net	878,579	(103,868)	18,415	756,296
Governmental activities capital assets, net	\$ 898,072	(103,868)	18,415	775,789

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 54,217	6,303	20,522	39,998
Less accumulated depreciation	46,928	4,846	20,522	31,252
Business-type activities capital assets, net	\$ 7,289	1,457	0	8,746

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 22,655
Other		14,435
Support services:		
Student		4,494
Instructional staff		775
Operation and maintenance		9,204
Transportation		30,473
		<u>82,036</u>
Unallocated depreciation		41,508
Total governmental activities depreciation expense		<u>\$ 123,544</u>
Business-type activities:		
Food services		<u>\$ 4,846</u>

#### (5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital loan note	\$ 265,000	0	60,000	205,000	60,000
Early Retirement	19,658	0	3,146	16,512	3,145
Total	<u>\$ 284,658</u>	<u>0</u>	<u>63,146</u>	<u>221,512</u>	<u>63,145</u>

#### Capital Loan Note

During fiscal year 2004, the District obtained financing for a new roof, with a capital loan note for \$325,000. The repayment of this loan will be made from the PPEL fund. Details of the District's capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Issue date August 1, 2003	
		Principal	Interest
2007	3.25 %	\$ 60,000	\$ 6,663
2008	3.25	70,000	4,712
2009	3.25	75,000	2,438
Total		<u>\$ 205,000</u>	<u>13,813</u>

## Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The school District will pay the cost of the single premium at the level it was when the employee retired. Early retirement expenditures for the year ended June 30, 2006 totaled \$3,146.

### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$88,472, \$83,382, and \$85,977 respectively, equal to the required contributions for each year.

### **(7) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. District contributions to ISEBA for the year ended June 30, 2006 were \$37,125.

Exira Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$95,304 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Deficit Fund Balance**

The Special Revenue - Management Fund had a deficit undesignated balance of \$19,494 at June 30, 2006.

**(10) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2006 disbursements in the support services function exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

EXIRA COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,445,920	63,624	1,509,544	1,566,000	1,566,000	(56,456)
Intermediate sources	0	0	0	200	200	0
State sources	1,383,015	1,818	1,384,833	1,375,554	1,375,554	9,279
Federal sources	156,475	59,927	216,402	196,000	196,000	20,402
Total revenues	2,985,410	125,369	3,110,779	3,137,754	3,137,754	(26,775)
Expenditures:						
Instruction	1,932,867	0	1,932,867	2,310,430	2,310,430	377,563
Support services	864,635	0	864,635	718,000	718,000	(146,635)
Non-instructional programs	0	121,252	121,252	122,119	122,119	867
Other expenditures	251,083	0	251,083	431,608	431,608	180,525
Total expenditures	3,048,585	121,252	3,169,837	3,582,157	3,582,157	412,320
Excess(deficiency) of revenues over(under) expenditures	(63,175)	4,117	(59,058)	(444,403)	(444,403)	(385,345)
Other financing sources, net	28	0	28	100	100	72
Excess(deficiency) of revenues over(under) expenditures	(63,147)	4,117	(59,030)	(444,303)	(444,303)	(385,273)
Balance beginning of year	563,257	12,875	576,132	720,331	720,331	(144,199)
Balance end of year	\$ 500,110	16,992	517,102	276,028	276,028	241,074

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.



OTHER SUPPLEMENTARY INFORMATION

EXIRA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2006

	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 12,686	49,686	62,372
Receivables:			
Property tax:			
Current year delinquent	0	1,874	1,874
Succeeding year	0	115,149	115,149
TOTAL ASSETS	\$ 12,686	166,709	179,395
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	0	2,966	2,966
Deferred revenue:			
Succeeding year property tax	0	115,149	115,149
TOTAL LIABILITIES	0	118,115	118,115
Unreserved fund balances	12,686	48,594	61,280
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,686	166,709	179,395

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2006

	Special Revenue Funds			Total Other Nonmajor Governmental Funds
	Physical Plant and Student Activity	Physical Equipment Levy	Total Special Revenue Funds	Debt Service
REVENUES:				
Local sources:				
Local tax	\$ 0	109,296	109,296	0
Other	47,417	10,480	57,897	0
TOTAL REVENUES	47,417	119,776	167,193	0
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	55,547	0	55,547	0
Other expenditures:				
Facilities acquisitions	0	87,299	87,299	0
Long-term debt:				
Principal	0	0	0	60,000
Interest and fiscal charges	0	0	0	8,480
TOTAL EXPENDITURES	55,547	87,299	142,846	68,480
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,130)	32,477	24,347	(68,480)
OTHER FINANCING SOURCES (USES):				
Transfers in	0	0	0	68,480
Transfers out	0	(68,480)	(68,480)	0
TOTAL OTHER FINANCING SOURCES (USES)	0	(68,480)	(68,480)	68,480
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES	(8,130)	(36,003)	(44,133)	0
FUND BALANCE BEGINNING OF YEAR	20,816	84,597	105,413	0
FUND BALANCE END OF YEAR	\$ 12,686	48,594	61,280	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Art	\$ 1,137	0	1,008	129
Athletics	7,164	31,404	37,197	1,371
Cheerleading	593	771	1,232	132
Drill Team	1,636	589	497	1,728
Leadership Club	390	178	179	389
Student Council	696	439	671	464
FFA	2,367	0	2,137	230
Pals	50	97	0	147
Spanish	70	4	0	74
National Honor Society	(20)	90	66	4
Faces	349	21	0	370
Science Club	361	21	0	382
Class of 2005	198	12	0	210
Class of 2006	549	80	473	156
Class of 2007	1,102	6,869	6,652	1,319
Class of 2008	2,875	186	0	3,061
Class of 2009	1,289	76	0	1,365
Class of 2010	10	5,831	4,699	1,142
Class of 2011	0	749	736	13
Total	\$ 20,816	47,417	55,547	12,686

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2006	2005	2004	2003
Revenues:					
Local sources:					
Local tax	\$	1,226,960	1,213,463	1,019,143	923,642
Tuition		82,801	50,198	228,444	56,239
Other		136,159	187,492	259,823	220,142
Intermediate sources		0	0	8,501	11,424
State sources		1,383,015	1,381,716	1,243,062	1,364,975
Federal sources		156,475	104,680	226,247	176,280
Total	\$	2,985,410	2,937,549	2,985,220	2,752,702
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	1,377,586	1,364,905	1,332,693	1,165,088
Special instruction		260,313	274,345	360,844	316,745
Other instruction		294,968	139,941	358,266	340,732
Support services:					
Student services		76,484	67,789	41,595	22,290
Instructional staff services		103,906	96,062	59,972	55,609
Administration services		311,712	295,432	281,365	259,333
Operation and maintenance of plant services		283,948	247,495	214,094	198,537
Transportation services		88,585	88,432	108,074	168,295
Central services		0	0	954	278
Non-instructional programs		0	122	3,425	8,384
Other expenditures:					
Facilities acquisitions		87,299	151,776	63,857	68,678
Long-term debt:					
Principal		60,000	30,000	0	0
Interest		8,480	9,630	0	0
AEA flow-through		95,304	93,982	90,188	98,455
Total	\$	3,048,585	2,859,911	2,915,327	2,702,424

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
Exira Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Exira Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 22, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Exira Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Exira Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that

are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Exira Community School District and other parties to whom Exira Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Exira Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Nolte, Cornman & Johnson*  
NOLTE, CORNMAN & JOHNSON, P.C.

September 22, 2006

EXIRA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will review their control procedures and obtain the maximum internal control possible with our limited number of employees.

Conclusion - Response accepted.

- I-B-06 Physical Plant and Equipment Levy (PPEL) Expenditures - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. We noted during our audit that the District purchased three window air conditioners from the PPEL Fund for \$1,325, which is less than \$500 per single unit.

Recommendation - The District should review the Code of Iowa with regard to allowable expenditures from the PPEL Fund to avoid non compliance. The District should make a corrective transfer to the PPEL Fund from the General Fund.

Response - The District will review the Code of Iowa with regard to allowable expenditures from the PPEL Fund to avoid non-compliance. The District will make a corrective transfer to the PPEL Fund from the General Fund for \$1,325.

Conclusion - Response accepted.

- I-C-06 Student Activity Fund - We noted during the audit that the Activity Fund contained a Class of 2005 account.

Recommendation - Class accounts should be closed out and the balance redistributed amongst the individual class accounts in the Activity Fund once the class has graduated.

Response - The Class of 2005 account will be closed and the balance redistributed amongst the individual class accounts in the Student Activity Fund.

Conclusion - Response accepted.



EXIRA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - Expenditures for the year ended June 30, 2006 exceeded the amended certified budget amounts in the support services function.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will monitor expenditures for all functions and make amendments to the certified budget when necessary.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions - No business transactions between the District and District Officials or employees were noted.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.

- II-J-06 Financial Condition - The District had a deficit undesignated fund balance of \$19,494 in the Management Fund.

Recommendation - The District should monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will monitor this fund and work on eliminating the deficit balance.

Conclusion - Response accepted.